

KOSSUTH COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
BASIC FINANCIAL STATEMENTS	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Assets	8-9
B Statement of Activities	10-13
Governmental Fund Financial Statements:	
C Balance Sheet	14-17
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	18
E Statement of Revenues, Expenditures and Changes in Fund Balances	20-23
F Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	24
Proprietary Fund Financial Statements:	
G Statement of Net Assets	25
H Statement of Revenues, Expenses, and Changes in Net Assets	26
I Statement of Cash Flows	27-28
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities – Agency Funds	29
Notes to Financial Statements	30-48
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	50-51
Budget to GAAP Reconciliation	52
Notes to Required Supplementary Information – Budgetary Reporting	53
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	56-57
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	58-59
Internal Service Funds:	
3 Combining Schedule of Net Assets	60
4 Combining Schedule of Revenues, Expenses and Changes in Net Assets	61
5 Combining Schedule of Cash Flows	62
Agency Funds:	
6 Combining Schedule of Fiduciary Assets and Liabilities	64-67
7 Combining Schedule of Changes in Fiduciary Assets and Liabilities	68-71
8 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	72
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	73-74
SCHEDULE OF FINDINGS	75-79

KOSSUTH COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
Donald Besch	Board of Supervisors	Jan. 2007
Lee Froehlich	Board of Supervisors	Jan. 2007
Donald G. McGregor	Board of Supervisors	Jan. 2007
Eugene Elsbecker	Board of Supervisors	Jan. 2009
Jack Plathe	Board of Supervisors	Jan. 2009
Joann Bormann	County Auditor	Jan. 2009
Nicholas P. Rahm	County Treasurer	Jan. 2007
Karen Benschoter	County Recorder	Jan. 2007
Paul Gronbach	County Sheriff	Jan. 2009
Todd Holmes	County Attorney	Jan. 2007
K. Donald Patton	County Assessor	Jan. 2010
(After January 2007)		
Eugene Elsbecker	Board of Supervisors	Jan. 2009
Jack Plathe	Board of Supervisors	Jan. 2009
Donald Besch	Board of Supervisors	Jan. 2011
Pam Wymore	Board of Supervisors	Jan. 2011
Donald G. McGregor	Board of Supervisors	Jan. 2011
Joann Bormann	County Auditor	Jan. 2009
Nicholas P. Rahm	County Treasurer	Jan. 2011
Karen Benschoter	County Recorder	Jan. 2011
Paul Gronbach	County Sheriff	Jan. 2009
Todd Holmes	County Attorney	Jan. 2011
K. Donald Patton	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Kossuth County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kossuth County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Kossuth County as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2008 on our consideration of Kossuth County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 50 through 53 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The County has not presented management's discussion and analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Kossuth County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2005 (none of which are included herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 27, 2008

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Basic Financial Statements

KOSSUTH COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 8,984,740	\$ 309,071	\$ 9,293,811
Receivables:			
Property tax:			
Delinquent	16,640	-	16,640
Succeeding year	6,663,000	-	6,663,000
Interest and penalty on property tax	80,656	-	80,656
Accounts	44,979	71,087	116,066
Accrued interest	84,186	3,487	87,673
Drainage assessments	54,138	-	54,138
Due from other governments	500,215	-	500,215
Inventories	510,588	-	510,588
Restricted cash and pooled investments	-	653,696	653,696
Capital assets, net of accumulated depreciation (note 5)	38,925,557	686,050	39,611,607
Total assets	55,864,699	1,723,391	57,588,090
Liabilities			
Accounts payable	826,963	41,205	868,168
Salaries and benefits payable	230,109	14,376	244,485
Due to other governments (note 6)	367,505	-	367,505
Accrued interest payable	425	-	425
Incurred but not reported claims	119,287	-	119,287
Deferred revenue:			
Succeeding year property tax	6,663,000	-	6,663,000
Long-term liabilities (note 7):			
Portion due or payable within one year:			
Rural development loan	60,000	-	60,000
Capital loan notes	40,218	-	40,218
Drainage warrants	204,533	-	204,533
Compensated absences	293,331	12,263	305,594
Portion due or payable after one year:			
Estimated liability for landfill closure and postclosure care	-	577,265	577,265
Rural development loan	240,000	-	240,000
Capital loan notes	174,782	-	174,782
Total liabilities	9,220,153	645,109	9,865,262

KOSSUTH COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 38,410,557	\$ 686,050	\$ 39,096,607
Restricted for:			
Supplemental levy purposes	1,076,319	-	1,076,319
Mental health purposes	137,190	-	137,190
Rural services	965,620	-	965,620
Secondary roads	2,099,226	-	2,099,226
Capital projects	246,815	-	246,815
Other special revenue purposes	141,307	-	141,307
Closure and postclosure care	-	76,431	76,431
Unrestricted	3,567,512	315,801	3,883,313
Total net assets	\$ <u>46,644,546</u>	\$ <u>1,078,282</u>	\$ <u>47,722,828</u>

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Public safety and legal services	\$ 2,254,138	\$ 193,903	\$ 69,586	\$ -
Physical health and social services	328,699	14,730	171,368	-
Mental health	2,156,226	2,623	971,853	-
County environment and education	1,199,601	90,558	53,040	359,659
Roads and transportation	7,449,307	144,975	4,272,226	2,257,086
Government services to residents	593,095	310,244	44,598	-
Administration	1,299,689	44,275	5,536	-
Non-program	61,572	-	-	-
Interest on long-term debt	17,384	-	-	-
Total governmental activities	15,359,711	801,308	5,588,207	2,616,745
Business-type Activities:				
Landfill	469,261	474,060	-	-
Total	\$ 15,828,972	\$ 1,275,368	\$ 5,588,207	\$ 2,616,745

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,990,649)	\$ -	\$ (1,990,649)
(142,601)	-	(142,601)
(1,181,750)	-	(1,181,750)
(696,344)	-	(696,344)
(775,020)	-	(775,020)
(238,253)	-	(238,253)
(1,249,878)	-	(1,249,878)
(61,572)	-	(61,572)
(17,384)	-	(17,384)
(6,353,451)	-	(6,353,451)
-	4,799	4,799
(6,353,451)	4,799	(6,348,652)

KOSSUTH COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest

General Revenues:

Property and other county tax levied for:
 General purposes
Penalty and interest on property tax
State tax credits
Payments in lieu of taxes
Local option sales and services tax
Unrestricted investment earnings
Drainage assessments
Miscellaneous
Gain on disposal of capital assets

 Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 6,631,693	\$ -	\$ 6,631,693
59,931	-	59,931
428,308	-	428,308
27,490	-	27,490
820,269	-	820,269
353,285	39,633	392,918
204,370	-	204,370
66,798	10,162	76,960
-	6,836	6,836
8,592,144	56,631	8,648,775
2,238,693	61,430	2,300,123
44,405,853	1,016,852	45,422,705
\$ <u>46,644,546</u>	\$ <u>1,078,282</u>	\$ <u>47,722,828</u>

KOSSUTH COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,080,591	\$ 599,562	\$ 841,310	\$ 2,040,928
Receivables:				
Property tax:				
Delinquent	12,005	1,953	2,682	-
Succeeding year	4,209,000	685,000	1,769,000	-
Interest and penalty on property tax	80,656	-	-	-
Accounts	37,030	-	-	6,843
Accrued interest	46,426	-	-	-
Drainage assessments	-	-	-	-
Due from other funds (note 3)	13	-	-	4,394
Due from other governments	39,206	1,238	124,308	335,463
Inventories	-	-	-	510,588
Total assets	\$ <u>7,504,927</u>	\$ <u>1,287,753</u>	\$ <u>2,737,300</u>	\$ <u>2,898,216</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 577,898	\$ 7,140,289
-	16,640
-	6,663,000
-	80,656
1,106	44,979
14,523	60,949
54,138	54,138
-	4,407
-	500,215
-	510,588
<u>\$ 647,665</u>	<u>\$ 15,075,861</u>

KOSSUTH COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 37,088	\$ 117,665	\$ 929	\$ 476,732
Salaries and benefits payable	47,761	1,946	1,751	178,651
Due to other funds (note 3)	4,394	-	-	13
Due to other governments (note 6)	32,185	334,721	-	599
Deferred revenue:				
Succeeding year property tax	4,209,000	685,000	1,769,000	-
Other	92,581	1,947	2,677	-
Total liabilities	<u>4,423,009</u>	<u>1,141,279</u>	<u>1,774,357</u>	<u>655,995</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	510,588
Drainage warrants	-	-	-	-
Supplemental levy purposes	1,072,478	-	-	-
Unreserved:				
Designated for nature center	120,000	-	-	-
Undesignated, reported in:				
General fund	1,889,440	-	-	-
Special revenue funds	-	146,474	962,943	1,731,633
Capital projects fund	-	-	-	-
Total fund balances	<u>3,081,918</u>	<u>146,474</u>	<u>962,943</u>	<u>2,242,221</u>
Total liabilities and fund balances	<u>\$ 7,504,927</u>	<u>\$ 1,287,753</u>	<u>\$ 2,737,300</u>	<u>\$ 2,898,216</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 134,141	\$ 766,555
-	230,109
-	4,407
-	367,505
-	6,663,000
54,138	151,343
<u>188,279</u>	<u>8,182,919</u>
-	510,588
7,200	7,200
-	1,072,478
-	120,000
-	1,889,440
205,371	3,046,421
246,815	246,815
<u>459,386</u>	<u>6,892,942</u>
<u>\$ 647,665</u>	<u>\$ 15,075,861</u>

KOSSUTH COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balances of governmental funds	\$ 6,892,942
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$80,089,339 and the accumulated depreciation is \$41,163,782.	38,925,557
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	151,343
The Internal Service Funds are used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	1,687,993
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(425)
Long-term liabilities, including a rural economic development loan payable, notes and drainage warrants payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,012,864)</u>
Net assets of governmental activities	<u><u>\$ 46,644,546</u></u>
See notes to financial statements.	

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KOSSUTH COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 4,351,897	\$ 529,394	\$ 2,567,661	\$ -
Interest and penalty on property tax	39,530	-	-	-
Intergovernmental	605,746	1,008,181	120,849	4,272,226
Licenses and permits	4,645	-	-	3,140
Charges for service	559,972	-	-	46,275
Use of money and property	311,225	-	-	27,810
Miscellaneous	16,683	2,623	45	67,750
Total revenues	5,889,698	1,540,198	2,688,555	4,417,201
Expenditures:				
Operating:				
Public safety and legal services	2,327,960	-	-	-
Physical health and social services	350,398	-	-	-
Mental health	-	2,167,352	-	-
County environment and education	550,000	-	171,554	-
Roads and transportation	-	-	76,723	5,372,716
Government services to residents	592,362	-	-	-
Administration	1,460,421	-	1,383	-
Non-program	61,572	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	694,984
Total expenditures	5,342,713	2,167,352	249,660	6,067,700
Excess (deficiency) of revenues over (under) expenditures	546,985	(627,154)	2,438,895	(1,650,499)
Other financing sources (uses):				
Sale of capital assets	-	-	-	32,508
Interfund transfers in (note 4)	-	-	-	2,351,767
Interfund transfers out (note 4)	(176,960)	-	(2,204,807)	-
Note proceeds	-	-	-	-
Drainage warrants issued	-	-	-	-
Total other financing sources (uses)	(176,960)	-	(2,204,807)	2,384,275

Nonmajor Governmental			
Funds		Total	
\$	217,390	\$	7,666,342
	-		39,530
	-		6,007,002
	-		7,785
	4,012		610,259
	21,987		361,022
	603,830		690,931
	847,219		15,382,871
	4,628		2,332,588
	-		350,398
	-		2,167,352
	-		721,554
	-		5,449,439
	-		592,362
	-		1,461,804
	-		61,572
	341,618		341,618
	1,380,500		2,075,484
	1,726,746		15,554,171
	(879,527)		(171,300)
	-		32,508
	30,000		2,381,767
	-		(2,381,767)
	515,000		515,000
	342,784		342,784
	887,784		890,292

KOSSUTH COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 370,025	\$ (627,154)	\$ 234,088	\$ 733,776
Fund balances beginning of year	2,711,893	773,628	728,855	1,508,445
Fund balances end of year	<u>\$ 3,081,918</u>	<u>\$ 146,474</u>	<u>\$ 962,943</u>	<u>\$ 2,242,221</u>

See notes to financial statements.

Nonmajor Governmental Funds		Total
<u> </u>		<u> </u>
\$	8,257	\$ 718,992
<u>451,129</u>		<u>6,173,950</u>
\$	<u>459,386</u>	\$ <u>6,892,942</u>

KOSSUTH COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 718,992

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlay
expenditures and depreciation expense in the current year are as follows:

	Capital outlays	\$ 2,421,522		
Capital assets contributed by the Iowa Department of Transportation	2,257,086			
Depreciation expense	<u>(2,996,246)</u>		1,682,362	

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds, as follows:

	Property tax	3,010		
Drainage assessments	(153,654)			
Other	<u>20,401</u>		(130,243)	

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets. (857,784)

Repayment of drainage warrant principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities in the
Statement of Net Assets. 324,659

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

	Compensated absences	(8,466)		
Interest on long-term debt	<u>(425)</u>		(8,891)	

The Internal Service Funds are used by management to charge the costs of
employee health benefits to individual funds. The change in net assets
of the Internal Service Funds is reported with governmental activities.

509,598

Change in net assets of governmental activities \$ 2,238,693

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Business-type Activities Enterprise Fund - Landfill	Governmental Activities Internal Service Funds
Assets		
Current assets:		
Cash and pooled investments	\$ 309,071	\$ 1,844,451
Receivables:		
Accounts	71,087	-
Accrued interest	3,487	23,237
Total current assets	<u>383,645</u>	<u>1,867,688</u>
Non-current assets:		
Restricted cash and pooled investments	653,696	-
Capital assets, net of accumulated depreciation	686,050	-
Total non-current assets	<u>1,339,746</u>	<u>-</u>
Total assets	<u>1,723,391</u>	<u>1,867,688</u>
Liabilities		
Current liabilities:		
Accounts payable	41,205	60,408
Salaries and benefits payable	14,376	-
Incurred but not reported claims	-	119,287
Compensated absences	12,263	-
Total current liabilities	<u>67,844</u>	<u>179,695</u>
Non-current liabilities:		
Estimated liability for landfill closure and postclosure care	<u>577,265</u>	<u>-</u>
Total liabilities	<u>645,109</u>	<u>179,695</u>
Net Assets		
Invested in capital assets, net of related debt	686,050	-
Restricted for closure and postclosure care	76,431	-
Unrestricted	<u>315,801</u>	<u>1,687,993</u>
Total net assets	<u>\$ 1,078,282</u>	<u>\$ 1,687,993</u>

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-type Activities Enterprise Fund - Landfill	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for service	\$ 474,060	\$ -
Miscellaneous:		
Reimbursements from operating funds	-	1,318,657
Reimbursements from employees and others	162	82,638
Total operating revenues	<u>474,222</u>	<u>1,401,295</u>
Operating expenses:		
Governmental activities:		
Medical claims	-	750,687
Administrative fees	-	35,915
Stop-loss premiums	-	149,096
Other	-	12,181
Business type activities:		
Closure and postclosure care	12,556	-
Depreciation	45,986	-
Other	410,719	-
Total operating expenses	<u>469,261</u>	<u>947,879</u>
Operating income	<u>4,961</u>	<u>453,416</u>
Non-operating revenues:		
Interest income	39,633	56,182
Miscellaneous income	10,000	-
Gain on disposal of capital assets	6,836	-
	<u>56,469</u>	<u>56,182</u>
Net income	61,430	509,598
Net assets beginning of year	<u>1,016,852</u>	<u>1,178,395</u>
Net assets end of year	<u>\$ 1,078,282</u>	<u>\$ 1,687,993</u>

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-type Activities Enterprise Fund - Landfill	Governmental Activities Internal Service Funds
Cash flows from operating activities:		
Cash received from operating fund reimbursements	\$ -	\$ 1,318,657
Cash received from customers and others	446,852	83,618
Cash paid to suppliers for services	(403,053)	(1,023,112)
Net cash provided by operating activities	<u>43,799</u>	<u>379,163</u>
Cash flows from investing activities:		
Interest on investments	39,725	59,695
Miscellaneous	10,000	-
Purchase of investments	(18,476)	(544,979)
Net cash provided by (used by) investing activities	<u>31,249</u>	<u>(485,284)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(59,395)	-
Sale of capital assets	19,656	-
Purchase agreement principal paid	(8,814)	-
Net cash used by capital and related financing activities	<u>(48,553)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	26,495	(106,121)
Cash and cash equivalents at beginning of year	<u>173,459</u>	<u>396,219</u>
Cash and cash equivalents at end of year	<u>\$ 199,954</u>	<u>\$ 290,098</u>

KOSSUTH COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-type Activities Enterprise Fund - Landfill	Governmental Activities Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,961	\$ 453,416
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	45,986	-
(Increase) in accounts receivable and other receivables	(27,371)	980
Increase (decrease) in accounts payable and other current liabilities	22,368	(75,233)
(Decrease) in liability for closure and postclosure care costs	(2,145)	-
Net cash provided by operating activities	\$ <u>43,799</u>	\$ <u>379,163</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:		
Current assets:		
Cash and pooled investments	\$ 309,071	\$ 1,844,451
Restricted assets:		
Cash and pooled investments	<u>653,696</u>	<u>-</u>
	962,767	1,844,451
Less items not meeting the definition of a cash equivalent:		
Certificates of deposit	<u>(762,813)</u>	<u>(1,554,353)</u>
Cash and cash equivalents end of year	\$ <u>199,954</u>	\$ <u>290,098</u>

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

Assets

Cash and pooled investments:

County Treasurer	\$ 1,003,665
Other County officials	51,953

Receivables:

Property tax:	
Delinquent	50,552
Succeeding year	14,770,000
Accounts	6,592
Accrued interest	1,969
Special assessments	46,311
Drainage assessments	<u>609,158</u>

Total assets	<u><u>\$ 16,540,200</u></u>
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Liabilities

Accounts payable	\$ 48,315
Salaries and benefits payable	870
Due to other governments (note 6)	16,137,341
Trusts payable	12,363
Drainage warrants payable	324,235
Compensated absences	<u>17,076</u>

Total liabilities	<u><u>\$ 16,540,200</u></u>
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See notes to financial statements.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies

Kossuth County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Kossuth County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Kossuth County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Five hundred ninety-seven drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, some are controlled, managed and supervised by the Kossuth County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Kossuth County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Kossuth County Assessor's Conference Board, Kossuth County Emergency Management Commission, and Kossuth County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The County reports the following major proprietary, enterprise fund:

The Landfill Fund is used to account for the operation of the County's sanitary landfill.

Additionally, the County reports the following funds:

Proprietary Fund - Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary funds of the County apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. The principal operating revenues of the County's Internal Service Funds are reimbursements from County departments for self insurance costs and payments from employees for flexible benefit contributions. Operating expenses for the Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2007 included certificates of deposit of \$2,317,166 with maturity dates longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent amounts assessed to individuals for work done that benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	3-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the Non-program function. Disbursements did not exceed the amounts appropriated for any specific department.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2007

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$145,311 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 4,394
General	Special Revenue:	
	Secondary Roads	<u>13</u>
		\$ <u>4,407</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 146,960
	Special Revenue: Rural Services	2,204,807
Capital Projects	General	<u>30,000</u>
		\$ <u><u>2,381,767</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,531,462	\$ 50,000	\$ -	\$ 1,581,462
Construction in progress	-	1,080,211	-	1,080,211
Total capital assets not being depreciated	<u>1,531,462</u>	<u>1,130,211</u>	<u>-</u>	<u>2,661,673</u>
Capital assets being depreciated:				
Buildings	5,283,334	160,632	-	5,443,966
Improvements other than buildings	172,269	185,000	-	357,269
Machinery and equipment	11,616,089	616,406	270,275	11,962,220
Infrastructure	57,077,852	2,586,359	-	59,664,211
Total capital assets being depreciated	<u>74,149,544</u>	<u>3,548,397</u>	<u>270,275</u>	<u>77,427,666</u>
Less accumulated depreciation for:				
Buildings	1,755,186	107,918	-	1,863,104
Improvements other than buildings	38,988	16,195	-	55,183
Machinery and equipment	6,741,109	799,170	270,275	7,270,004
Infrastructure	29,902,528	2,072,963	-	31,975,491
Total accumulated depreciation	<u>38,437,811</u>	<u>2,996,246</u>	<u>270,275</u>	<u>41,163,782</u>
Total capital assets being depreciated, net	<u>35,711,733</u>	<u>552,151</u>	<u>-</u>	<u>36,263,884</u>
Governmental activities capital assets, net	<u>\$ 37,243,195</u>	<u>\$ 1,682,362</u>	<u>\$ -</u>	<u>\$ 38,925,557</u>

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 261,000	\$ -	\$ -	\$ 261,000
Construction in progress	-	36,989	-	36,989
	<u>261,000</u>	<u>36,989</u>	<u>-</u>	<u>297,989</u>
Capital assets being depreciated:				
Buildings	246,630	-	-	246,630
Equipment and vehicles	966,573	22,406	21,367	967,612
Total capital assets being depreciated	<u>1,213,203</u>	<u>22,406</u>	<u>21,367</u>	<u>1,214,242</u>
Less accumulated depreciation for:				
Buildings	101,962	8,585	-	110,547
Equipment and vehicles	686,780	37,401	8,547	715,634
Total accumulated depreciation	<u>788,742</u>	<u>45,986</u>	<u>8,547</u>	<u>826,181</u>
Total capital assets being depreciated, net	<u>424,461</u>	<u>(23,580)</u>	<u>12,820</u>	<u>388,061</u>
Business-type activities capital assets, net	<u>\$ 685,461</u>	<u>\$ 13,409</u>	<u>\$ 12,820</u>	<u>\$ 686,050</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 91,961
Physical health and social services	5,525
Mental health	5,916
County environment and education	13,228
Roads and transportation	2,801,614
Government services to residents	34,107
Administration	<u>43,895</u>
Total depreciation expense - governmental activities	<u>\$ 2,996,246</u>
Business-type activities:	
Landfill	<u>\$ 45,986</u>

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 32,185
Special Revenue:		
Mental Health	Services	334,721
Secondary Roads		<u>599</u>
Total for governmental funds		<u>\$ 367,505</u>
Agency:		
County Assessor	Collections	\$ 437,500
Townships		287,910
Schools		10,291,992
Corporations		3,287,070
Area Schools		615,319
Auto License and Use Tax		354,732
County Hospital		283,485
Drainage Districts		343,038
All Other		<u>236,295</u>
Total for agency funds		<u>\$ 16,137,341</u>

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2007 is as follows:

	<u>Rural Development Loan</u>	<u>Capital Loan Notes</u>	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ -	\$ -	\$ 186,408	\$ 284,865	\$ 471,273
Increases	300,000	215,000	342,784	293,331	1,151,115
Decreases	<u>-</u>	<u>-</u>	<u>324,659</u>	<u>284,865</u>	<u>609,524</u>
Balance end of year	<u>\$ 300,000</u>	<u>\$ 215,000</u>	<u>\$ 204,533</u>	<u>\$ 293,331</u>	<u>\$ 1,012,864</u>
Due within one year	<u>\$ 60,000</u>	<u>\$ 40,218</u>	<u>\$ 204,533</u>	<u>\$ 293,331</u>	<u>\$ 598,082</u>

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2007

Note 7. Long-Term Liabilities (continued)

Rural Development Loan

During the year ended June 30, 2006, the County entered into an interest-free rural development loan agreement with Corn Belt Power Cooperative of Humboldt, Iowa. The loan is for \$300,000 on a draw down basis. The proceeds will be used to help finance construction of a new nature center and emergency shelter at Smith Lake County Park. As of June 30, 2007, the full amount of the loan of \$300,000 had been drawn by the County. The loan is to be repaid with biannual payments of \$30,000 every September and March beginning September, 2007.

A summary of the County's rural development loan is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2008	\$ 60,000
2009	60,000
2010	60,000
2011	60,000
2012	<u>60,000</u>
	<u>\$ 300,000</u>

Capital Loan Note

During the year ended June 30, 2007 the County entered into a capital loan note agreement for \$215,000 to help finance the construction of a new nature center. The notes bear an interest rate of three percent and are payable over a five-year period.

A summary of the County's capital loan notes is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	3.00 %	\$ 40,218	\$ 6,803	\$ 47,021
2009	3.00	41,778	5,244	47,022
2010	3.00	43,032	3,990	47,022
2011	3.00	44,323	2,699	47,022
2012	3.00	<u>45,649</u>	<u>1,373</u>	<u>47,022</u>
		<u>\$ 215,000</u>	<u>\$ 20,109</u>	<u>\$ 235,109</u>

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are written. Warrants will be paid as funds are available.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities (continued)

Drainage Warrants (continued)

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2007 is as follows:

	Landfill Closure and Postclosure Care	Compensated Absences	Purchase Agreement	Total
Balance beginning of year	\$ 579,410	\$ 11,933	\$ 8,814	\$ 600,157
Increases	-	12,263	-	12,263
Decreases	2,145	11,933	8,814	22,892
Balance end of year	<u>\$ 577,265</u>	<u>\$ 12,263</u>	<u>\$ -</u>	<u>\$ 589,528</u>
Due within one year	<u>\$ -</u>	<u>\$ 12,263</u>	<u>\$ -</u>	<u>\$ 12,263</u>

Closure and Postclosure Care Costs

To comply with federal and state regulations, the County is required to complete a monitoring system plan, a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology or applicable laws and regulations.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities (continued)

Closure and Postclosure Care Costs (continued)

The total costs for Kossuth County have been estimated at \$141,100 for closure and \$747,000 for postclosure care, for a total of \$888,100 as of June 30, 2007, and the portion of the liability that has been recognized is \$577,265. This liability represents the cumulative amount reported to date based on the use of approximately 65 percent of the capacity of the landfill with a remaining life of sixteen years. A provision for the above liability has been made on the County's Enterprise Fund Statement of Net Assets as of June 30, 2007.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The County has begun to accumulate resources to fund these costs and, at June 30, 2007, deposits of \$653,696 are held for these purposes, of which \$150,000 has been reserved for closure and \$503,696 for postclosure care. They are reported as restricted assets on the Statement of Net Assets.

Also, pursuant to Section 567, Chapter 111.6(6) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure costs are not fully funded, the County is required to demonstrate financial assurance for the unfunded costs. The County has adopted the local government financial test mechanism. Under this mechanism, the County must certify the following to the Iowa Department of Natural Resources:

- A ratio of cash and investments to total expenditures of greater than or equal to .5 for the previous two fiscal years.
- A ratio of annual debt service to total expenditures less than or equal to .20 for the previous two fiscal years.
- The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles.
- The County is not in default on any outstanding general obligation bonds.
- The County has no outstanding general obligation bonds rated lower than Baa.
- The County did not operate at a deficit equal to 5 percent or more of total annual revenue in each of the past two fiscal years.
- The County did not receive an adverse opinion or disclaimer of opinion on its financial statements in each of the past two fiscal years.

The County has demonstrated compliance with the above requirements.

Note 8. Economic Development Loan

During the year ended June 30, 2004, the County sold the County Care Facility to Rabiner Treatment Center for \$90,000. Under the agreement, \$40,000 was paid to the County with the balance of \$50,000 considered an interest-free economic development loan from the County to Rabiner Treatment Center. The loan was to be payable to the County November 1, 2006. However, in July 2006 the payment date was extended to December 1, 2008. The balance due will be reduced by \$1,000 for each staff position created by Rabiner Treatment Center at the facility. Because the amount to be paid to the County is not known, a receivable has not been included in the County's financial statements at June 30, 2007.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2007

Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$256,197, \$248,384 and \$254,450, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Kossuth County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 10. Risk Management (continued)

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2007 were \$242,922.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$2,000,000 and \$20,000 (\$50,000 for certain employees), respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Employee Health Insurance Plan

The Internal Service, Self Insurance Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross and Blue Shield. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2007

Note 11. Employee Health Insurance Plan (continued)

Under a separate co-insurance plan, the County reimburses employees for a portion of the deductible. The amount of the deductibles for employees and the County are as follows:

	<u>Single</u>	<u>Family</u>
Employee	\$ 100	\$ 200
County	<u>400</u>	<u>800</u>
	<u>\$ 500</u>	<u>\$ 1,000</u>

Monthly payments of service fees and plan contributions to the Self Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross and Blue Shield from the Self Insurance Fund. The County's contribution to the fund for the year ended June 30, 2007 was \$1,318,657.

Amounts payable from the Self Insurance Fund at June 30, 2007 total \$179,695 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$1,681,143 at June 30, 2007 and is reported as net assets of the Self Funded Insurance Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2006	\$ 254,928
Incurring claims (including claims incurred but not reported at June 30, 2007)	618,458
Payments	<u>693,691</u>
Unpaid claims at June 30, 2007	<u>\$ 179,695</u>

Note 12. Construction Commitment

The County has entered into contracts totaling \$2,216,139 for bridge and culvert construction and replacement, a new County nature center, and various other projects. As of June 30, 2007, costs of \$1,080,211 have been incurred against the contracts. The balance remaining at June 30, 2007 of \$1,135,928 will be paid as work on the projects progresses.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 13. Contingencies

Litigation

The County is involved in one ongoing lawsuit. The case has not gone to trial yet and the outcome cannot be determined at this time. The county's insurance carrier is affording coverage for the lawsuit.

Note 14. Subsequent Event

As of November 26, 2007 the landfill started operating as a transfer station. The County has entered into a 28E agreement with cities and towns in the landfill service area. Any city or town not wishing to be part of the 28E agreement was required to pay for closure and postclosure cost determined by the County to be a liability at the time of the 28E filing on May 24, 2007. Four cities decided not to join the Association created by the 28E agreement and have paid their liability subsequent to year end.

Required Supplementary Information

KOSSUTH COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2007

	Actual	Less Funds not Required to be Budgeted	Net
RECEIPTS:			
Property and other County tax	\$ 7,433,766	\$ -	\$ 7,433,766
Interest and penalty on property tax	39,504	-	39,504
Intergovernmental	6,245,620	-	6,245,620
Licenses and permits	8,280	-	8,280
Charges for service	570,311	-	570,311
Use of money and property	377,106	-	377,106
Miscellaneous	691,036	358,024	333,012
Total receipts	<u>15,365,623</u>	<u>358,024</u>	<u>15,007,599</u>
DISBURSEMENTS:			
Public safety and legal services	2,327,509	-	2,327,509
Physical health and social services	372,597	-	372,597
Mental health	2,084,817	-	2,084,817
County environment and education	720,033	-	720,033
Roads and transportation	5,708,613	-	5,708,613
Government services to residents	594,844	-	594,844
Administration	1,476,859	-	1,476,859
Non-program	61,572	-	61,572
Debt service	341,618	341,618	-
Capital projects	1,999,290	342,784	1,656,506
Total disbursements	<u>15,687,752</u>	<u>684,402</u>	<u>15,003,350</u>
Excess (deficiency) of receipts over (under) disbursements	(322,129)	(326,378)	4,249
Other financing sources, net	<u>890,292</u>	<u>342,784</u>	<u>547,508</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	568,163	16,406	551,757
Balance beginning of year	<u>6,572,126</u>	<u>154,833</u>	<u>6,417,293</u>
Balance end of year	<u>\$ 7,140,289</u>	<u>\$ 171,239</u>	<u>\$ 6,969,050</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 7,235,339	\$ 7,394,030	\$ 39,736
28,000	28,000	11,504
5,807,534	6,019,893	225,727
6,450	6,450	1,830
534,430	534,430	35,881
195,440	250,076	127,030
884,750	255,735	77,277
14,691,943	14,488,614	518,985
2,430,033	2,432,033	104,524
422,374	447,374	74,777
1,920,342	2,085,342	525
724,275	727,475	7,442
5,425,000	5,755,000	46,387
599,513	609,513	14,669
1,638,745	1,638,745	161,886
61,523	61,523	(49)
-	-	-
2,001,400	2,030,400	373,894
15,223,205	15,787,405	784,055
(531,262)	(1,298,791)	1,303,040
10,000	525,000	22,508
(521,262)	(773,791)	1,325,548
5,318,582	6,417,293	-
\$ 4,797,320	\$ 5,643,502	\$ 1,325,548

KOSSUTH COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2007

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 15,365,623	\$ 17,248	\$ 15,382,871
Expenditures	15,687,752	(133,581)	15,554,171
Net	(322,129)	150,829	(171,300)
Other financing sources	890,292	-	890,292
Beginning fund balances	6,572,126	(398,176)	6,173,950
Ending fund balances	<u>\$ 7,140,289</u>	<u>\$ (247,347)</u>	<u>\$ 6,892,942</u>

See accompanying independent auditor's report.

KOSSUTH COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$564,200. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the non-program function.

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Other Supplementary Information

KOSSUTH COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Special Response Team
Assets				
Cash and pooled investments	\$ 32,056	\$ 8,565	\$ 40,910	\$ 409
Receivables:				
Accounts	1,106	-	-	-
Accrued interest	1,216	2,670	-	-
Drainage assessments	-	-	-	-
Total assets	<u>\$ 34,378</u>	<u>\$ 11,235</u>	<u>\$ 40,910</u>	<u>\$ 409</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 654	\$ 6,071	\$ -
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>654</u>	<u>6,071</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Drainage warrants	-	-	-	-
Unreserved	34,378	10,581	34,839	409
Total fund equity	<u>34,378</u>	<u>10,581</u>	<u>34,839</u>	<u>409</u>
Total liabilities and fund equity	<u>\$ 34,378</u>	<u>\$ 11,235</u>	<u>\$ 40,910</u>	<u>\$ 409</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>				
<u>DARE Program</u>	<u>Drug Forfeiture</u>	<u>Drainage Districts</u>	<u>Nature Center Project</u>	<u>Total</u>
\$ 1,848	\$ 5,114	\$ 171,239	\$ 317,757	\$ 577,898
-	-	-	-	1,106
-	-	-	10,637	14,523
-	-	54,138	-	54,138
<u>\$ 1,848</u>	<u>\$ 5,114</u>	<u>\$ 225,377</u>	<u>\$ 328,394</u>	<u>\$ 647,665</u>
\$ -	\$ -	\$ 45,837	\$ 81,579	\$ 134,141
-	-	54,138	-	54,138
-	-	99,975	81,579	188,279
-	-	7,200	-	7,200
1,848	5,114	118,202	246,815	452,186
1,848	5,114	125,402	246,815	459,386
<u>\$ 1,848</u>	<u>\$ 5,114</u>	<u>\$ 225,377</u>	<u>\$ 328,394</u>	<u>\$ 647,665</u>

KOSSUTH COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Special Response Team
Revenues:				
Intergovernmental	\$ -	\$ 7,840	\$ -	\$ -
Charges for service	4,012	-	-	-
Use of money and property	2,047	4,668	-	-
Miscellaneous	-	-	46,438	-
Total revenues	6,059	12,508	46,438	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	70,328	63,416	-
Total expenditures	-	70,328	63,416	-
Excess (deficiency) of revenues over (under) expenditures	6,059	(57,820)	(16,978)	-
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Note proceeds	-	-	-	-
Drainage warrants issued	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	6,059	(57,820)	(16,978)	-
Fund balances beginning of year	28,319	68,401	51,817	409
Fund balances end of year	\$ 34,378	\$ 10,581	\$ 34,839	\$ 409

See accompanying independent auditor's report.

<u>Capital Projects</u>				
<u>DARE Program</u>	<u>Drug Forfeiture</u>	<u>Drainage Districts</u>	<u>Nature Center Project</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 209,550	\$ 217,390
-	-	-	-	4,012
-	-	-	15,272	21,987
2,534	1,525	358,024	195,309	603,830
2,534	1,525	358,024	420,131	847,219
2,876	1,752	-	-	4,628
-	-	341,618	-	341,618
-	-	349,629	897,127	1,380,500
2,876	1,752	691,247	897,127	1,726,746
(342)	(227)	(333,223)	(476,996)	(879,527)
-	-	-	30,000	30,000
-	-	-	515,000	515,000
-	-	342,784	-	342,784
-	-	342,784	545,000	887,784
(342)	(227)	9,561	68,004	8,257
2,190	5,341	115,841	178,811	451,129
\$ 1,848	\$ 5,114	\$ 125,402	\$ 246,815	\$ 459,386

KOSSUTH COUNTY
 COMBINING SCHEDULE OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2007

	Self Insurance	Employee Flexible Benefit Plan	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 1,837,601	\$ 6,850	\$ 1,844,451
Receivables:			
Accrued interest	23,237	-	23,237
Total assets	<u>1,860,838</u>	<u>6,850</u>	<u>1,867,688</u>
Liabilities			
Current liabilities:			
Accounts payable	60,408	-	60,408
Incurred but not reported claims	119,287	-	119,287
Total liabilities	<u>179,695</u>	<u>-</u>	<u>179,695</u>
Net Assets			
Unrestricted	<u>\$ 1,681,143</u>	<u>\$ 6,850</u>	<u>\$ 1,687,993</u>

See accompanying independent auditor's report.

KOSSUTH COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2007

	Self Insurance	Employee Flexible Benefit Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,318,657	\$ -	\$ 1,318,657
Reimbursements from employees and others	26,320	56,318	82,638
Total operating revenues	<u>1,344,977</u>	<u>56,318</u>	<u>1,401,295</u>
Operating expenses:			
Governmental activities:			
Medical claims	693,691	56,996	750,687
Administration and network access fees	35,915	-	35,915
Stop-loss premiums	149,096	-	149,096
Other	12,181	-	12,181
Total operating expenses	<u>890,883</u>	<u>56,996</u>	<u>947,879</u>
Operating income (loss)	454,094	(678)	453,416
Non-operating revenues:			
Interest income	<u>56,182</u>	-	<u>56,182</u>
Net income (loss)	510,276	(678)	509,598
Net assets beginning of year	<u>1,170,867</u>	<u>7,528</u>	<u>1,178,395</u>
Net assets end of year	<u>\$ 1,681,143</u>	<u>\$ 6,850</u>	<u>\$ 1,687,993</u>

See accompanying independent auditor's report.

KOSSUTH COUNTY
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2007

	Self Insurance	Employee Flexible Benefit Plan	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 1,318,657	\$ -	\$ 1,318,657
Cash received from employees and others	27,300	56,318	83,618
Cash paid to suppliers for services	(966,116)	(56,996)	(1,023,112)
Net cash provided by (used by) operating activities	<u>379,841</u>	<u>(678)</u>	<u>379,163</u>
Cash flows from investing activities:			
Interest on investments	57,140	2,555	59,695
Purchase of investments	(544,979)	-	(544,979)
Net cash provided by (used by) investing activities	<u>(487,839)</u>	<u>2,555</u>	<u>(485,284)</u>
Net increase (decrease) in cash and cash equivalents	(107,998)	1,877	(106,121)
Cash and cash equivalents at beginning of year	391,246	4,973	396,219
Cash and cash equivalents at end of year	<u>\$ 283,248</u>	<u>\$ 6,850</u>	<u>\$ 290,098</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ 454,094	\$ (678)	\$ 453,416
Adjustment to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Decrease in accounts receivable	980	-	980
(Decrease) in incurred but not reported claims	(75,233)	-	(75,233)
Net cash provided by (used by) operating activities	<u>\$ 379,841</u>	<u>\$ (678)</u>	<u>\$ 379,163</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:			
Current assets:			
Cash and pooled investments	\$ 1,837,601	\$ 6,850	\$ 1,844,451
Less items not meeting the definition of a cash equivalent:			
Certificates of deposit	(1,554,353)	-	(1,554,353)
Cash and cash equivalents end of year	<u>\$ 283,248</u>	<u>\$ 6,850</u>	<u>\$ 290,098</u>

See accompanying independent auditor's report.

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KOSSUTH COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2007

	County Offices			Agricultural
	County Recorder	County Sheriff	Central Point of Coordination	Extension Education
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,433
Other County officials	39,590	11,897	466	-
Receivables:				
Property tax:				
Delinquent	-	-	-	199
Succeeding year	-	-	-	70,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Drainage assessments	-	-	-	-
Total assets	\$ <u>39,590</u>	\$ <u>11,897</u>	\$ <u>466</u>	\$ <u>71,632</u>
LIABILITIES				
Accounts payable	\$ 39,452	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	138	-	-	71,632
Trusts payable	-	11,897	466	-
Drainage warrants payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	\$ <u>39,590</u>	\$ <u>11,897</u>	\$ <u>466</u>	\$ <u>71,632</u>

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 202,790	\$ 207,828	\$ 13,600	\$ 40,573	\$ 6,461	\$ 5,695	\$ 67
-	-	-	-	-	-	-
726	26,164	1,719	20,497	449	790	8
255,000	10,058,000	600,000	3,226,000	281,000	277,000	3,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 458,516</u>	<u>\$ 10,291,992</u>	<u>\$ 615,319</u>	<u>\$ 3,287,070</u>	<u>\$ 287,910</u>	<u>\$ 283,485</u>	<u>\$ 3,075</u>
\$ 7,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
437,500	10,291,992	615,319	3,287,070	287,910	283,485	3,075
-	-	-	-	-	-	-
-	-	-	-	-	-	-
13,669	-	-	-	-	-	-
<u>\$ 458,516</u>	<u>\$ 10,291,992</u>	<u>\$ 615,319</u>	<u>\$ 3,287,070</u>	<u>\$ 287,910</u>	<u>\$ 283,485</u>	<u>\$ 3,075</u>

KOSSUTH COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2007

	City Special Assessments	Auto License and Use Tax	Drainage Districts	Civil Defense
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ 354,732	\$ 58,115	\$ 17,102
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Special assessments	46,311	-	-	-
Drainage assessments	-	-	609,158	-
Total assets	\$ <u>46,311</u>	\$ <u>354,732</u>	\$ <u>667,273</u>	\$ <u>17,102</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 197
Salaries and benefits payable	-	-	-	826
Due to other governments	46,311	354,732	343,038	12,672
Trusts payable	-	-	-	-
Drainage warrants payable	-	-	324,235	-
Compensated absences	-	-	-	3,407
Total liabilities	\$ <u>46,311</u>	\$ <u>354,732</u>	\$ <u>667,273</u>	\$ <u>17,102</u>

See accompanying independent auditor's report.

<u>E-911 Surcharge</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 94,856	\$ 413	\$ 1,003,665
-	-	51,953
-	-	50,552
-	-	14,770,000
6,592	-	6,592
1,969	-	1,969
-	-	46,311
-	-	609,158
<u>\$ 103,417</u>	<u>\$ 413</u>	<u>\$ 16,540,200</u>
\$ 1,319	\$ -	\$ 48,315
44	-	870
102,054	413	16,137,341
-	-	12,363
-	-	324,235
-	-	17,076
<u>\$ 103,417</u>	<u>\$ 413</u>	<u>\$ 16,540,200</u>

KOSSUTH COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2007

	County Offices			Agricultural
	County	County	Central Point	Extension
	Recorder	Sheriff	of	Education
			Coordination	
ASSETS AND LIABILITIES				
Balances beginning of year, as restated	\$ 41	\$ 9,240	\$ 805	\$ 71,659
Additions:				
Property and other County tax	-	-	-	70,627
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	4,574
Payments in lieu of taxes	-	-	-	271
Office fees and collections	336,066	186,169	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	222,184	10,638	-
Miscellaneous	-	-	-	-
Total additions	336,066	408,353	10,638	75,472
Deductions:				
Agency remittances:				
To other funds	103,911	185,734	-	-
To other governments	192,606	435	-	75,499
Trusts paid out	-	219,527	10,977	-
Total deductions	296,517	405,696	10,977	75,499
Balances end of year	\$ 39,590	\$ 11,897	\$ 466	\$ 71,632

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ <u>474,937</u>	\$ <u>10,248,428</u>	\$ <u>681,344</u>	\$ <u>3,318,867</u>	\$ <u>286,001</u>	\$ <u>286,594</u>	\$ <u>3,074</u>
256,080	10,082,233	602,948	3,185,657	282,140	277,624	3,344
-	-	-	-	-	-	-
17,492	666,573	43,343	206,048	17,953	18,173	212
1,035	35,721	2,615	413	1,654	1,075	13
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
349	-	-	-	-	-	-
<u>274,956</u>	<u>10,784,527</u>	<u>648,906</u>	<u>3,392,118</u>	<u>301,747</u>	<u>296,872</u>	<u>3,569</u>
-	-	-	-	-	-	-
291,377	10,740,963	714,931	3,423,915	299,838	299,981	3,568
-	-	-	-	-	-	-
<u>291,377</u>	<u>10,740,963</u>	<u>714,931</u>	<u>3,423,915</u>	<u>299,838</u>	<u>299,981</u>	<u>3,568</u>
\$ <u><u>458,516</u></u>	\$ <u><u>10,291,992</u></u>	\$ <u><u>615,319</u></u>	\$ <u><u>3,287,070</u></u>	\$ <u><u>287,910</u></u>	\$ <u><u>283,485</u></u>	\$ <u><u>3,075</u></u>

KOSSUTH COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2007

	City Special Assessments	Auto License and Use Tax	Drainage Districts*	Civil Defense
ASSETS AND LIABILITIES				
Balances beginning of year, as restated	\$ 51,089	\$ 327,421	\$ 338,896	\$ 23,959
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	-	4,343,133	-	-
Assessments	1,146	-	12,783	-
Trusts	-	-	-	-
Miscellaneous	-	-	78,612	40,265
Total additions	1,146	4,343,133	91,395	40,265
Deductions:				
Agency remittances:				
To other funds	-	157,250	-	-
To other governments	5,924	4,158,572	87,253	47,122
Trusts paid out	-	-	-	-
Total deductions	5,924	4,315,822	87,253	47,122
Balances end of year	\$ 46,311	\$ 354,732	\$ 343,038	\$ 17,102

* The beginning balance of the drainage districts was decreased from \$851,607 at June 30, 2006 to \$338,896 at July 1, 2006 to reflect the change resulting from the improper inclusion in the prior year of drainage assessments which had not yet been levied by June 30, 2006.

See accompanying independent auditor's report.

<u>E-911 Surcharge</u>	<u>Agland Credit</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Tax Sale Redemption</u>	<u>Total</u>
\$ <u>113,037</u>	\$ <u>823</u>	\$ <u>368</u>	\$ <u>-</u>	\$ <u>16,236,583</u>
-	-	-	-	14,760,653
102,465	-	-	-	102,465
-	-	-	-	974,368
-	-	-	-	42,797
-	-	4,082	-	526,317
-	-	-	-	4,343,133
-	-	-	-	13,929
-	-	-	237,541	470,363
3,680	-	-	-	122,906
<u>106,145</u>	<u>-</u>	<u>4,082</u>	<u>237,541</u>	<u>21,356,931</u>
-	-	-	-	446,895
115,765	823	4,037	-	20,462,609
-	-	-	237,541	468,045
<u>115,765</u>	<u>823</u>	<u>4,037</u>	<u>237,541</u>	<u>21,377,549</u>
\$ <u><u>103,417</u></u>	\$ <u><u>-</u></u>	\$ <u><u>413</u></u>	\$ <u><u>-</u></u>	\$ <u><u>16,215,965</u></u>

KOSSUTH COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Property and other County tax	\$ 7,666,342	\$ 7,576,865	\$ 7,803,670	\$ 7,103,839
Interest and penalty on property tax	39,530	46,499	44,482	57,781
Intergovernmental	6,007,002	6,266,103	6,142,002	6,113,661
Licenses and permits	7,785	7,400	5,380	5,475
Charges for service	610,259	596,673	604,716	574,205
Use of money and property	361,022	412,230	900,243	806,282
Miscellaneous	690,931	672,894	456,074	381,174
Total	<u>\$ 15,382,871</u>	<u>\$ 15,578,664</u>	<u>\$ 15,956,567</u>	<u>\$ 15,042,417</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,332,588	\$ 2,290,873	\$ 2,362,163	\$ 2,339,538
Physical health and social services	350,398	364,265	331,501	371,569
Mental health	2,167,352	2,045,768	1,936,360	1,981,917
County environment and education	721,554	652,165	614,154	680,678
Roads and transportation	5,449,439	5,470,796	5,200,058	5,192,082
Government services to residents	592,362	697,018	702,475	483,952
Administration	1,461,804	1,403,489	1,349,743	1,287,253
Non-program	61,572	59,806	61,364	59,039
Debt service	341,618	600,342	1,435,788	1,267,555
Capital projects	2,075,484	1,701,461	2,188,798	1,379,788
Total	<u>\$ 15,554,171</u>	<u>\$ 15,285,983</u>	<u>\$ 16,182,404</u>	<u>\$ 15,043,371</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Kossuth County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kossuth County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kossuth County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kossuth County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Kossuth County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Kossuth County's financial statements that is more than inconsequential will not be prevented or detected by Kossuth County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Kossuth County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07 and I-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kossuth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Kossuth County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Kossuth County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Kossuth County and other parties to whom Kossuth County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Kossuth County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
March 27, 2008

KOSSUTH COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Sheriff, Treasurer
(3) Detailed investment records are not maintained by a person who is not the Custodian of the investments.	Treasurer

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

Responses –

County Sheriff – Lack of staff would make this difficult.

County Treasurer – We will try to segregate duties to the extent present staff size allows. Investment records will be reviewed periodically and signed off by someone who does not work with investments.

Conclusion – Responses accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

- I-B-07 County Treasurer Bank Reconciliations – Bank reconciliations were tied to the daily cash book but were not tied to the general ledger, and variances were not adequately resolved. At June 30, 2007, the book balance was \$4,903 greater than the bank balance.

Recommendation – Bank reconciliations should be tied to the general ledger on a monthly basis. Any variances should be investigated and timely resolved.

Response – We will make an effort to reconcile bank accounts to the general ledger as well as the daily cash book and continue to work on resolving variances.

Conclusion – Response accepted.

- I-C-07 Warrants Written and Held – We noted two warrants totaling \$9,200 which were written by the County prior to June 30, 2007, for Conservation department purchases of a van and fish tanks. However, the warrants were not issued to the vendors until July and August, when the goods were received.

Recommendation – This practice bypasses the budgeting process and violates generally accepted accounting principles by shifting the recording of the disbursement to the wrong accounting period. In addition, this weakens the control the Board may have over disbursements. The County should avoid writing warrants prior to the receipt of goods or services.

Response – We will watch this more closely in the future to avoid this type of situation.

Conclusion – Response accepted.

- I-D-07 County Extension Office Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Extension Office's financial records. Generally, one individual in the County Extension Office may have control over receipt collecting, recording, depositing and bank reconciling for which no compensating controls exist. In addition, incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Agricultural Extension Council should review the operating procedures of its office to obtain the maximum internal control possible under the circumstances. The Council should utilize current personnel to provide additional control through review of financial transactions and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The Extension Office process will be reviewed to be certain all checks from the mail or walk-ins are listed with check numbers in the receipt book. The duty of opening incoming mail will be rotated among staff as much as possible. Bank accounts will be reconciled by staff who do not sign checks.

Conclusion – Response accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the non-program function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget in the future when required.

Conclusion – Response accepted.

- II-B-07 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- II-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- II-D-07 Business Transactions – Business transactions between the County and County officials or employees were detailed as follows:

Name, Title and Business Connection	Description	Amount
Norma Ruhnke, Auditor’s Office, Sons are owners of Ruhnke Brothers	Fuel and repairs	\$9,616
Jeff Gilmore, Sheriff’s Office	1998 Chevy Tahoe	8,000

In accordance with Chapter 331.342(4) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the employees’ remuneration for employment is not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contract.

- II-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

- II-F-07 Board Minutes – We noted one interfund transfer that was not approved in the Board minutes.

Recommendation – All interfund transfers should be approved by the Board in accordance with Chapter 331.432(4) of the Code of Iowa.

Response – This transfer was for the landfill postclosure costs as calculated in the landfill financial assurance annual report. We will make sure that the board approves these annual transfers in the future. We are now approving these transfers for fiscal year 2008.

Conclusion – Response accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-07 Solid Waste Fees Retained – During the year ended June 30, 2007, the County used or retained the solid waste fees in accordance with Chapters 455B.310(3) and (4) of the Code of Iowa.
- II-J-07 Financial Assurance – The Kossuth County Landfill has demonstrated financial assurance for closure and postclosure care costs through the local government financial test mechanism as provided in Section 567, Chapter 111.6(6) of the Iowa Administrative Code. The Landfill has adequately demonstrated proof of financial assurance compliance. However, this financial assurance report is due on April 1 but was not filed until May 1.

Recommendation – The financial assurance report should be filed in a timely manner in the future.

Response – We did not receive final audited figures for the landfill until April, 2007. We will try to file this report as timely as possible in the future.

Conclusion – Response accepted.

- II-K-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

- II-L-07 Outstanding Checks – The County Treasurer did not cancel checks outstanding for more than one year as required by Chapter 331.554 of the Code of Iowa.

Recommendation – County checks outstanding for more than one year should be canceled as required.

Response – We will follow the recommendation.

Conclusion – Response accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-M-07 Transfers – Chapter 331.429 of the Code of Iowa outlines the maximum allowable transfers of funds from the General Basic Fund and Special Revenue, Rural Services Fund to the Special Revenue, Secondary Roads Fund. The maximum transfer is based on collections of property tax and related credits and does not include local option sales and services tax collections. During the year ended June 30, 2007, the County exceeded the maximum allowable transfer from the Rural Services Fund by \$221,764 due to the inclusion of the local option sales and services tax. The local option sales and services tax ballot language states the collections are to be used for property tax relief in the Rural Basic Fund and any lawful purpose in the Rural Basic Fund. No mention of the Secondary Roads Fund is made on the ballot.

Recommendation – The County should calculate the maximum allowable transfer based on Chapter 331.429 of the Code of Iowa. The local option sales and services tax should be used for expenditures from the Rural Services Fund for allowable purposes and not included in transfers to the Secondary Roads Fund once the maximum allowable transfer has been met for the year.

Response – We are now using the local option sales and services tax for allowable Rural Services expenditures and not as part of the transfers to Secondary Roads for fiscal year 2008.

Conclusion – Response accepted.

- II-N-07 Untimely Transfer of Vehicle Title – As noted in item II-D-07, the County Sheriff's office purchased a used Chevrolet Tahoe from Jeff Gilmore, a part-time Sheriff's deputy. The transaction occurred in December, 2006, but as of December, 2007, the vehicle title was still in the original owner's name. This situation raises questions related to County liability issues and to the intention behind the purchase.

Recommendation – The County Sheriff should timely file a transfer of ownership with the County Recorder for any future purchases of used vehicles. The County should also document the method of arriving at fair value for any vehicle purchased from any related party.

Response – We will look into this situation and will require proper documentation and timely transfers of ownership for any future similar transactions.

Conclusion – Response accepted.

- II-O-07 Credit Cards – The County has credit cards for use by County employees. However, the County does not have a written policy regarding credit card usage.

Recommendation – The County should prepare and implement a credit card usage policy.

Response – We will consider adopting such a policy.

Conclusion – Response accepted.

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